

The D&H Saved the Erie Railroad from Certain Bankruptcy in 1848

By S. Robert Powell

After the Financial Panic of 1836-1837* had made necessary the suspension of early construction operations on the Erie Railroad, the state of New York came to the aid of the company and, in 1838, lent it its credit to the amount of \$3,000,000. That large sum of money was used up, and only 61 miles of the road were in operation in 1845--from Piermont, on the Hudson, to Otisville, the summit of the Shawangunk mountains, in Orange County.

In 1845 the state of New York again came to the aid of the Erie railroad. By an act of the assembly in that year, the company was released from the claim of the state against it, and liberal provisions were made as to subscriptions to new stock. This legislation was accompanied with the proviso, however, that unless rails were laid and the road was in working order between Piermont and Binghamton by January first, 1849, the company should forfeit all its rights, franchises, and titles to the state. Thus given a new lease on life and another replenished Treasury, the directors of the Erie again ordered the work of building the railroad to proceed.

The rails with which the road was ironed between Piermont and Otisville were of English iron, which cost \$80 a ton. The straitened circumstances of the company, and the time to which it was limited, required the obtaining of iron at a cheaper rate and in a more convenient market.

In 1843, Colonel George W. Scranton and Seldon T. Scranton of Oxford, NJ, established a rolling mill and rail factory in the village of Harrison, now the city of Scranton, PA. It was known as the Lackawanna Iron Works. In 1846, the Scrantons, knowing that the New York and Erie Railroad Company had paid \$80 a ton for the rails imported from England, and that it was necessary for iron to be obtained by the company at a lower price, made a contract with the Erie railroad company to furnish it with 10,000 tons at a rate much lower than that of the English iron.

At the time of making this contract, the iron company had no machinery capable of turning out the rails, and furnaces and all had to be provided. The iron was to be delivered to the New York and Erie Railroad's agents at the mouth of the Lackawaxen river, in Pike county, PA, during 1847-1848. A number of prominent capitalists interested in the success of the railroad loaned the Scrantons \$100,000, with no security but their word. The machinery for the iron mills was drawn 60 miles by teams and was ready for operations in a few months.

As fast as the iron from the Scrantons was ready, it was drawn on wagons, by teams of horses, nine miles to Archbald, PA, then the southern terminus of the Gravity Railroad of the Delaware & Hudson Canal Company. There, by means of two inclined planes, Planes 1 and 2, which were built to the north of Archbald in the summer of 1846, the rails for the Erie were drawn up the mountain, and then sent, via a long level, to Carbondale, to the foot of the Davis plane.

Planes Nos. 1 and 2 in Archbald, we should note, were built by Patrick Gilmartin, the first settler and a prominent citizen of Archbald in the early days, under the direction of Engineer Gideon Frothingham (his sister, Sarah, married James Archbald, the legendary D&H engineer who designed the 1845 configuration of the D&H Gravity Railroad, and who was later was elected the first mayor of Carbondale.) These two planes, No. 1 and No. 2 in Archbald, were not D&H Gravity Planes No. 26 and 27, which were constructed on this same site in 1859.

When the rails arrived at Carbondale they were then sent, via the Gravity Railroad, over the Moosic Mountain to Honesdale, the head of the D&H canal, where it was loaded into canal boats, which were then delivered to the Erie Railroad's agents at the mouth of the Lackawaxen river, in Pike county, PA. From there it was carried on the D&H canal to Port Jervis.

When 1,500 tons had been thus delivered, the Erie rails were laid from Otisville to Port Jervis. Then the difficulties of running the road into Pennsylvania arose. The road was originally intended to cross the Delaware at the village of Matamoras, nearly opposite Port Jervis, but the route was impracticable, and it was decided to change the crossing point to Sawmill Rift, three miles farther up the river. Injunctions were served on the company forbidding this change of route, until it had agreed to construct a bridge across the river at Matamoras. The delay attending these proceedings threatened to be fatal to the completion of the road to Binghamton within the stipulated time.

Unless rails were laid and the Erie had the road in working order between the Hudson and Binghamton by January 1, 1849, the Erie would forfeit all its rights, franchises, and titles to the state. Accordingly, a change was made in the terms of the D&H contract with the iron company. Instead of having the balance of the iron delivered to Lackawaxen, the D&H was now to deliver the iron to different points along the Delaware Division of the Erie. The iron was therefore hauled on wagons over mountain roads from Archbald to Narrowsburg, Cochection, Equinunk, Stockport, Deposit, and Lanesboro. Over 400 mules and horses were employed in the carting.

From those points the rails were simultaneously laid, resulting in the completion of the track, according to agreement with the state, five days before the date fixed upon.

The celebration of the completion of the Erie tracks to Binghamton on the 28th of December, 1848, was one of the greatest demonstrations, it was said, ever witnessed in this country. The contract was a profitable one to the new iron company, notwithstanding the expense and labor connected with its fulfillment, and it laid the foundation for the present city of Scranton.

The completion of the Erie tracks to Binghamton on the 28th of December, 1848, therefore, be it known, would not have been possible, without the services rendered by the Delaware and Hudson Canal Company (canal and railroad) in completing those tracks to Binghamton, which saved the Erie Railroad from bankruptcy in 1848.

*The financial panic of 1836-1837 was a major economic crisis in the United States, caused primarily by excessive speculation in Western land, rampant paper money issued by unregulated banks, and President Andrew Jackson's decision to withdraw federal funds from the Second Bank of the United States, leading to a credit crunch when he issued the "Specie Circular" requiring only gold or silver for land purchases, ultimately causing widespread bank failures and a severe economic downturn. The financial panic of 1836-1837 is often considered a significant turning point in American economic history.

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